

Message Text

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PAGE 01 TEL AV 09417 251649Z
ACTION SAA-01

INFO OCT-01 EUR-12 NEA-10 IO-13 ISO-00 SSM-03 SSC-01
EB-08 OMB-01 AID-05 TRSE-00 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 PA-01 SP-02 SS-15
NSCE-00 SSO-00 ICAE-00 INRE-00 /092 W
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O 251554Z JUL 78
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC IMMEDIATE 4410
INFO AMEMBASSY AMMAN IMMEDIATE
AMEMBASSY BONN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMCONSUL JERUSALEM
USMISSION USUN NY
USMISSION SINAI

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AMMAN FOR ATHERTON

E. O. 11652: NA
TAGS: PGOV IS
SUBJ: MINISTER OF INDUSTRY, TRADE AND TOURISM WILL NOT RESIGN

REF.: TEL AVIV 9321 (NOTAL)

1. REVERSING HIS DECLARATION OF YESTERDAY (JULY 24) TO RESIGN
(REFTEL), IT WAS ANNOUNCED THIS AFTERNOON THAT MINISTER OF
INDUSTRY, TRADE AND TOURISM YIGAL HURVITZ HAS ACCEDED TO
PM BEGIN'S URINGS AND WILL STAY IN THE GOVERNMENT.

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AFTER CONSULTING WITH BEGIN AND THE KNESSET FINANCE
COMMITTEE, HURVITZ AGREED TO ACCEPT A COMPROMISE WHICH
DELEGATES TO THE FINANCE COMMITTEE THE RESPONSIBILITY OF A RE-
DUCTION OF AT LEAST IL 3 BILLION FROM THE SUPPLEMENTAL
BUDGET RECENTLY INTRODUCED BY THE GOVERNMENT.

2. THE CHAIRMAN OF THE FINANCE COMMITTEE EXPLAINED THAT,

WHILE THE COMMITTEE DECIDES FOR ITSELF ON BUDGETARY MATTERS, IT HAD HEEDED THE PM'S REQUEST TO CUT IN THE BUDGET. BEGIN REQUESTED THE COMMITTEE NOT TO HARM LOW INCOME SECTORS OR WELFARE RECIPIENTS WHEN IT MADE ITS REDUCTIONS.

3. HURVITZ REPORTEDLY ACCEPTED THIS COMPROMISE AND STATED THAT FROM NOW ON HE EXPECTS TO TAKE A MORE ACTIVE PART IN SHAPING ECONOMIC POLICY.

4. TWO IMPORTANT QUESTION S REMAIN:

A. WHERE WLL THE COMMITTEE CUT EXPENDITURES WITHOUT HURTING LOW INCOME AND WELFARE RECIPIENTS? MORE THAN TWO-THIRDS OF THE BUDGET IS DEVOTED TO DEFENSE AND DEBT REPAYMENT WHICH CANNOT BE REDUCED BY MUCH AND MOST OF THE REST IS MANDATED BY LAW.

B. HOW WILL HURVITZ GET ALONG WITH FINANCE MINISTER EHRlich, WHO UP TO NOW HAS BEEN PLAYING A LONE HAND IN ESTABLISHING ECONOMIC AND BUDGETARY POLICY?

5. THE LA'AM FACTION WHICH HURVITZ HEADS CAUCUSED SOON AFTER HIS ANNOUNCED INTENTION TO RESIGN AND AGREED TO BACK HIS DEMANDS FOR A BUDGET CUT. LA'AM MK'S EVEN HINTED AT A PULL-OUT FROM THE COALITION IF HURVITZ LIMITED OFFICIAL USE

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DID NOT GET SATISFACTION, BUT FEW COALITION MK'S TOOK THE THREAT SERIOUSLY. PRIVATELY, THEY TOLD US THAT LA'AM HAS FAR GREATER REPRESENTATION IN THE KNESSET (8 SEATS) THAN ITS STRENGTH WITH THE ELECTORATE MERITS. SPECULATION THAT HURVITZ' "TANTRUM" OWED SOMETHING TO THE GOI'S APPARENT SOFTENING ON WEST BANK POLICY WAS DISMISSED. HURVITZ IS SEEN AS CONTINUING TO FOLLOW THE LEAD OF DAYAN ON FOREIGN POLICY, AS DOES MOST OF THE LA'AM PARTY.

6. COMMENT: HURVITZ' DECISION NOT TO RESIGN ELIMINATES AN EMBARRASSING SITUATION FOR BEGIN. HURVITZ MAY HAVE COME OUT WITH A STRONGER HAND WITHIN THE CABINET ON ECONOMIC AND BUDGETARY MATTERS. IT WILL BE DIFFICULT, HOWEVER, FOR EHRlich TO STAND FOR ANY INTERFERENCE FROM HURVITZ OR FOR THESE TWO STRONG-WILLED BUSINESSMEN TO GET ALONG WITH EACHOTHER. LEWIS

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